

BILL ANALYSIS

Senate Research Center
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S.B. 1543
By: Wentworth
Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, state and local governments are obligated to follow the guidelines established by the Public Funds Investment Act (Chapter 2256, Government Code) as amended in 1995. This law states the rules and guidelines that governmental entities must abide by in terms of investment choices. Section 2256.020 (Authorized Investments: Institutions of Higher Education), Government Code, states that, in addition to certificates of deposit, an institution of higher education may purchase, sell, and invest in high-grade corporate bonds. This bill permits school districts with a minimum enrollment of 50,000 students to invest in AAA and AA rated corporate bonds, which are an authorized investment afforded to colleges and community colleges.

As proposed, S.B. 1543 amends current law relating to the authority of independent school districts to invest in corporate bonds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 2256, Government Code, by adding Section 2256.0204, as follows:

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) Provides that this section applies only to an independent school district with an average daily attendance as determined under Section 42.005 (Average Daily Attendance), Education Code, of at least 50,000.

(b) Authorizes an independent school district subject to this section, in addition to authorized investments permitted by this subchapter, to purchase, sell, and invest its funds and funds under its control in corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

SECTION 2. Effective date: upon passage or September 1, 2011.